

A Delaware Voice Submission

Mandatory Financial Education – Let's Make a Difference

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April has been designated Financial Literacy Month by Congress.

Twenty four years ago, when I started a fee-only financial planning practice, financial independence was illustrated through the use of a three-legged stool. Each leg was designed to provide equivalent support. The first leg was Social Security, the second leg, an employer funded pension, and the third leg was personal savings. If you had a pension benefit and could save a little during your lifetime, you had significant financial piece of mind.

Most commentators agree that an adequate plan to secure future Social Security benefits for existing workers is not in place. Fewer traditional pension plans exist and the personal savings rate has declined, rather than increasing to fill the expected need.

Funding future Medicare benefits is an even bigger problem than Social Security. The increasing drain of health care costs on employers and their profits will continue a shift of these costs onto unprepared individuals as well.

Americans have been encouraged to spend, spend, and spend by the best marketing and advertising programs in the world. This high level of consumption is good for the bottom lines of domestic and, increasingly so, foreign companies. However, on a household level, we should all be saving, saving, saving, to make up for the insecurity of the Social Security and Medicare systems, the decline in paternal pension benefits, and the stratospheric costs of higher education.

How do we get the point across and change behavior? Financial literacy needs to be approached with the kind of effort, commitment and programs that can make a real difference in the lives of the vast majority of people.

Currently, financial literacy is mostly self-taught. We read articles in the paper, a book on the latest, greatest road to financial nirvana, listen to the talking heads on TV, attend a financial product sponsor's seminar to get a free meal, catch a few exchanges on radio call in programs. For the most part, it's just so much noise and not enough substance. In addition, it's all targeted to middle aged adults and not to impressionable young people.

Try as we may, this informal approach to educating our citizens on the importance of sound personal financial management has failed. Americans are seriously behind in securing their financial future. This failure to be financially literate carries a high cost. It breaks up marriages, lessens education and career opportunities, increases crime and makes people anxious about their future.

How can we have the most impact on the most people - Formal education, formal education, formal education. Understanding financial options and the impact of today's spending, saving and investing decisions is the key to independently achieving financial security. We need mandatory, formal, financial literacy programs in middle school, high school and college. Accepting that requiring a course in college would be too much of a stretch, we should concentrate our efforts on requiring a course in one of the middle school years and an additional course in senior high. Electives won't work; the courses must be required and structured. Adults need to make the call about the seriousness of this need. We mandate driver's education and sex education; it's time to mandate financial education.

Let's not make excuses. Extend the school day if necessary. Hire retired accountants, bankers, financial advisors, consultants and planners to help teach the courses.

Let's make Delaware the first state in financial literacy. It will reap dividends for years to come.

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